



Fact Sheet

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Washington, D.C.

Tel: 202.622.4000

For Release: XX/XX/03

Release No: FS-2003-10

RETURN PREPARER FRAUD — SIGNIFICANT CASES

The Internal Revenue Service more than doubled the number of criminal investigations of preparers of federal tax returns in 2002 compared to the previous fiscal year, according to figures released by IRS Criminal Investigation.

The following case summaries are excerpts from public record documents on file in the court records in the judicial district in which the cases were prosecuted.

Two Sisters Sentenced in \$8.7 Million Tax Fraud Conspiracy

On December 6, 2002, in San Diego, California, Gwendolyn Jones and Deborah Hughes, sisters, were sentenced to 27 months in prison, following by three years of supervised release, and ordered to pay a \$7,500 fine. Jones and Hughes, along with Brenice Hughes, husband of Deborah Hughes, operated a tax return preparation service under the name "Neighborhood Money Tree" from October 1998 until March 1999. According to plea agreements, Jones and Deborah and Brenice Hughes pleaded guilty to conspiring to file more than 3,100 false tax returns with the IRS claiming refunds of \$8.7 million. Brenice Hughes was previously sentenced to 30 months in prison.

The defendants admitted to soliciting recipients of Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI) by word of mouth and written flyers, by falsely claiming that such recipients may be eligible for hundreds or thousands of dollars in refunds due to the Earned Income Tax Credit (EITC) program.

Tax Preparer Sentenced to 27 Months

On November 1, 2002, in Dallas, Texas, Billy W. Deen was sentenced to 27 months in prison without parole. Deen, who operated an accounting practice known as Billy Deen's Bookkeeping and Income Tax Service, pleaded guilty to aiding and abetting the preparation of false tax returns. Between 1997 and 1999, Deen admitted to preparing tax returns for clients which included false business rental expenses and false income totaling approximately \$495,868 with a tax loss of approximately \$51,739.

Over \$2.7 Million in Bogus Refunds Claimed

On October 24, 2002, in Baltimore, Maryland, Mark A. Knight was sentenced to 40 months in prison for aiding and assisting in the preparation and filing of more than 1100 fraudulent federal income tax returns seeking over \$2.7 million in bogus refunds from the IRS. Knight offered taxpayers his services in preparing amended income tax returns, falsely claiming that he was previously employed with the IRS. Knight charged his clients \$100 for each return prepared. Typically, Knight fraudulently claimed unreimbursed business expenses, false medical deductions, and personal property taxes on the returns he prepared.

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Tax Preparer Sentenced To 5 Years in Prison

On October 16, 2002, in Norfolk, Virginia, Emma G. Blount was sentenced to 60 months in prison after pleading guilty in June to conspiracy to defraud the government by filing false tax returns for clients. Blount was the owner and operator of six different tax preparation businesses that falsified income tax returns for taxpayers residing in Texas, North Carolina and Virginia between 1994 and April of 2002. The tax returns were materially false regarding filing status, medical and dental expenses, personal property taxes, charitable contributions, job expenses, rental property expenses and other miscellaneous items. Blount also failed to file her own income taxes from 1993 through April 2002. The IRS determined that Blount's crimes caused a loss in excess of \$2 million.

Former Employee of Tax Return Preparation Service Sentenced in Federal Court

On August 30, 2002, in Shreveport, LA, Freda Ann Holmes Edmond was sentenced to 96 months in prison and ordered to pay restitution in the amount of \$40,435. According to court documents, Edmond assisted in the preparation of 106 individual federal income tax returns for calendar year 1999 that were false and fraudulent. The returns inflated the taxpayers' wages and withholding and fraudulently claimed deductions and credits to which the taxpayers were not entitled. The fraudulent returns claimed tax refunds of \$494,391 in excess of the amount the taxpayers were legally entitled to receive.

If you suspect tax fraud or know of an abusive return preparer, call the IRS's Tax Fraud Hotline at 1-800-829-0433.

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